

March 19, 2009

Mr. Scott Johnstone, Executive Director
Vermont Energy Investment Corporation
255 South Champlain Street
Burlington, VT 05401

Dear Mr. Johnstone:

On December 16, 2008, the Public Service Board ("Board") received Efficiency Vermont's Annual Plan ("Plan") for the next three years, 2009-2011, from Vermont Energy Investment Corporation ("VEIC").¹ VEIC operates as Efficiency Vermont under a performance-based contract with the Board. The contract requires VEIC to submit an annual plan to the Board.

A workshop on the Plan was held on February 25, 2009. The workshop helped inform the Board about Efficiency Vermont's strategies for promoting energy efficiency during the three-year contract period. The Board and workshop attendees asked several clarifying questions that were aimed at better understanding Efficiency Vermont's current and planned activities. Efficiency Vermont addressed these questions at the workshop.²

Ms. Donna Leban, Life Space Design, commended Efficiency Vermont for its comprehensive and custom approach on large energy efficiency projects but expressed concern that smaller customers are not aware of this option. Ms. Leban requested that Efficiency Vermont encourage its project managers to promote a custom approach using specialty consultants (such as lighting and mechanical) to a broader range of customers and indicated that she is currently discussing these suggestions directly with Efficiency Vermont. We are pleased that these discussions are occurring.

¹ The Plan describes strategies and initiatives for 2009-2011 because the development of the 2009 annual plan corresponds to the beginning of the three-year contract period.

² A transcript of the workshop is available from the court reporter at info@capitolcourtreporters.com or 802-863-6067.

The Board received three written comments on the Plan. The full text of the comments are attached for your reference and I have summarized them below.

On February 27, 2009, the Board received written comments from Vermont Interfaith Power and Light ("VTIPL") in support of Efficiency Vermont's Plan. VTIPL encouraged Efficiency Vermont to consider houses of worship as candidates for heating system replacements under the category of small businesses in unregulated fuel efficiency initiatives.

The Addison County Regional Planning Commission's Energy Committee (the "Energy Committee") filed comments on March 2, 2009. The Energy Committee wrote in support of Efficiency Vermont's unregulated fuel efficiency activities and stated that the Button Up workshops should be offered in every Vermont town. The Energy Committee also suggested that Efficiency Vermont partner with town commissions who administer volunteer-based weatherization programs and support efforts to expand the programs.

On March 11, 2009, the Department of Public Service ("Department") filed comments in support of the Plan. The Department recommended that, consistent with the principle for Unregulated Fuel Funds included in the Plan, heating-system retrofit incentives be tied to comprehensive building improvements.³ The Department stated that addressing only the heating system in a building could erode the cost-effectiveness of future whole-building efficiency efforts and could lead to an oversized heating system if measures to weatherize a building are implemented at a later date.

The Board's contract with VEIC specifies performance goals; however, it does not direct how VEIC should implement its programs to achieve those goals. We also recognize that Efficiency Vermont is in the early development stages of implementing unregulated fuel efficiency activities. With these factors in mind, the Board approves the Plan as filed by VEIC. In addition, we encourage Efficiency Vermont to consider the comments summarized above in its planning efforts.

³ The Department's comments distinguish between market opportunity and retrofit projects, noting that it supports individual heating system incentives for market-opportunity projects.

- 3 -

Please feel free to contact me if you have any questions.

Sincerely,

James Volz
Chairman

Enclosures (3)

cc: Michael Wickenden, Contract Administrator
Vermont Department of Public Service
Vermont Interfaith Power & Light
Energy Committee, Addison County Regional Planning Commission
Attendees at Workshop